

## Budget & Tax Cuts

### **ESSB 6108 - 1998 Supplemental Budget (passed Legislature)**

The 1998 supplemental spending plan continues the effort of Republicans to bring discipline to the budget process. This supplemental budget reflects the priorities the Legislature set in the 1997-99 operating budget, which passed less than one-year ago. At that time, legislators made commitments to K-12 education, higher education, criminal justice and welfare reform. The two-year budget also reflected the priorities of taxpayers: balancing enhancements to education with tax cuts.

The supplemental budget is an opportunity for the Legislature to fine tune spending priorities addressed in the two-year operating budget. In the past, the supplemental budget has been driven by revenues, rather than spending priorities. This year legislators adopted four principles to guide new spending decisions.

A supplemental budget request was considered if:

- ✓ It was unanticipated, unmanageable change in an entitlement program workload or caseload.
- ✓ It corrected a serious technical error in the original appropriation.
- ✓ It dealt with an emergency.
- ✓ It addressed an opportunity that was not available next biennium.

Legislators approved a supplemental budget that retains the \$19.085 billion spending level established in the 97-99 budget. The spending plan takes advantage of one-time savings from specific programs to enhance spending for education, salmon restoration and criminal justice. The budget also retains more than \$778 million in reserves.

The approved budget continues the course set last session. It meets the state's critical needs and protects taxpayers by controlling spending and maintaining a responsible reserve.

### **Budget Enhancements**

**Successful Readers Program** - \$17 million to help boost primary reading scores, emphasizing volunteer and teacher training.

**Salmon Recovery Plan** - \$26.1 million to rebuild threatened salmon populations. The funding targets three areas: salmon restoration projects, expansion of existing programs, and planning and assessment.

**Public Safety** - \$25.6 million to improve public safety. Money is included to help local governments deal with the costs associated with criminal justice programs, such as tougher drunken driving laws, handling at-risk youth, and more stringent juvenile justice programs.

### **TAX CUTS**

A strong economy and responsible budgeting have combined to make it possible for legislators to approve targeted tax relief. Providing tax relief has been one of the hallmarks of the last three legislative sessions. This effort has meant that taxpayers keep more of their hard-earned money.

Legislators, with Republican leadership, have returned more than \$1 billion in taxes to families and businesses.

The tax relief has come in the form of cuts in business taxes, tax incentives to attract new industries and generate jobs, and a comprehensive property tax relief package that voters approved last year.

This session, legislators reduced more than \$280 million in taxes – the majority coming from a reduction in the tax people pay on their license tabs each year under EHB 2894. This proposal provides a \$30 per-year cut in the car tax. It also reduces the tax rate on new vehicles after one year instead of the current two years. These two components, which hinge on voter approval in November, provide \$257 million in tax relief.

## **ESSB 6533 - Providing property tax breaks for senior citizens (passed Legislature)**

### **Background**

Rising property taxes can have a huge impact on senior citizens who are living on a fixed income. Having worked hard their entire lives to own a home, many seniors are being forced to sell, unable to afford higher property taxes. Lawmakers have understood this dilemma and have provided exemptions and deferrals for low-income seniors.

### **Bill Summary**

This measure gives senior citizens and people retired due to disability a break on their property taxes. This raises the income level for qualification from \$28,000 to \$30,000, allowing more seniors to qualify for tax relief. Other changes include: expanding the income categories and exemption amounts, increasing the parcel size for the exemption program from one to five acres, allowing the deduction of health care insurance from disposable income, and allowing the deduction of veterans' benefits for disabilities related to military duty from disposable household income. All of the changes will allow more seniors to qualify for property tax relief. The new income levels and exemptions are presented in the following table.

Income	Excess Levies	Regular Levies
\$24,001 to \$30,000	Exempt	No exemption
\$18,001 to \$24,000	Exempt	\$40,000 or 35% of value exempt (\$60,000 maximum)
\$18,000 or less	Exempt	\$50,000 or 60% of value exempt

## **SSB 6562 - Providing relief for the equine industry (passed Legislature)**

### **Background**

At one time, horse racing was a thriving industry in our state. The absence of a major track for a few years set the thoroughbred industry back. In 1990, a study was conducted to determine the economic impact of the industry on the state. The study reported that the industry generated more than \$18 million in taxes to state and local government. The industry currently supports 13,000 jobs in the state, from horse breeders and trainers, hay farmers to track workers.

### **Bill Summary**

This measure lowers the parimutuel tax paid by the state's three race tracks: Emerald Downs, Playfair and Yakima Meadows. The tax reduction will save the three tracks \$2.3 million. Under the measure, the tax cut will end in 2002. The tax cut is aimed at stabilizing the state's ailing

horse racing industry and saving the thousands of jobs that it generates. The horse racing industry says the tax cut could be the difference in saving thoroughbred racing in the state.

## **SSB 6602 - Pop Tax credit (passed Legislature)**

### **Background**

The so-called “pop tax” was first enacted in 1989 as part of an omnibus anti-drug bill. The omnibus Alcohol and Controlled Substances Act also imposed additional taxes on sales of wine, beer, spirits and cigarettes. Under the 1989 legislation, the taxes were scheduled to expire July 1, 1995.

In 1994, the Legislature enacted the Youth Violence Prevention Act. This act made extensive changes in laws relating to youth violence prevention, drug education, and drug enforcement programs. It eliminated the expiration date for all of the taxes imposed in the 1989 omnibus legislation. The act also increased the pop tax from 75 cents to \$1 per gallon. The tax portions of the measure were passed as Referendum 43 in November 1994.

The pop tax is unique because the restaurants or retailers are the taxpayers. It’s estimated that the pop tax costs the average fast-food franchise about \$9,000 a year.

Revenues from the pop tax are deposited in the Violence Reduction and Drug Enforcement Account (VRDE), along with revenue from the other taxes imposed under the 1989 Omnibus Alcohol and Controlled Substances Act. This account is used to support programs directed toward alcohol and drug abuse by youth and adults, including increases in penalties for drug-related crimes, expanded law enforcement authority, expanded education programs, and expanded treatment.

### **Summary of Bill**

This measure allows a retailer to claim a credit against the Business and Occupation tax for one-half the amount of the pop tax. Money generated from the pop tax will continue to flow to the Violence Reduction and Drug Enforcement (VRDE) Account. As a result, there’s no impact to the VRDE account. Restaurant owners pointed out that the pop tax was the equivalent of doubling the B&O tax on some small franchises. This proposal provides those small business owners some needed tax relief.

## **EHB 2894 - Cutting the license tab tax (passed Legislature)**

This comprehensive transportation package offers \$30 per year, per vehicle cut on the tax people pay on their license tabs. The proposal also reduces the tax rate on new vehicles after one year instead of the current two years. The combination of the two reductions amounts to \$257 million in tax relief. This proposal is subject to voter approval at the November 1998 election. (For more detailed information see the Transportation section)